

February 22, 2001

Honorable Norman K. Ferguson, Senate Chair
Honorable William R. Savage, House Chair
Joint Standing Committee on Utilities and Energy
115 State House Station
Augusta, ME 04333

Re: LD 420, An Act to Strengthen Energy Conservation

Dear Senator Ferguson and Representative Savage:

The Commission will testify neither for nor against LD 420, An Act to Strengthen Energy Conservation. The Commission will be present at the work session and will be pleased to work with the Committee as it considers this bill.

In our testimony, we will offer background to aid the Committee in understanding the responsibilities for electric energy conservation in Maine today.

For many years, the Commission had jurisdiction over the content and the spending level of electric energy conservation programs. We authorized a program when it was cost-justified, and cost-justification was defined as saving money for electric utility ratepayers as a whole. The costs saved were generally the cost of building and operating new generating facilities avoided by reduced electricity use.

Currently, State law gives the State Planning Office (SPO) responsibility for the content of conservation programs and the Commission responsibility for the spending level. When determining the spending level, we will rely on analyses and recommendations provided by SPO.

Since the industry was restructured, the criteria for approving a program are necessarily less clearly defined in law and rule, because savings from avoiding generation can no longer be determined. SPO is currently determining appropriate program goals and whether attaining a goal justifies the expense of a program. Because this effort is still underway, it is impossible for us to determine whether the current 1.5 mil cap or a 2.5 mil cap proposed by LD 420 is appropriate. The Committee

also may wish to wait for the conclusion of SPO's efforts before concluding that a 1.5 mil cap is inadequate. An additional mil/kWh is not an excessive amount; however, any potential increase in customers' rates should be authorized with care.

If you have any questions, please contact me.

Sincerely,

Marjorie R. McLaughlin
Legislative Liaison